

Message Text

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ACTION AF-10

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TAGS: EINV, NI
SUBJECT: BREAKTHROUGH IN BRITISH-AMERICAN INSURANCE/FMG INDIGENIZATION TALKS

1. BRITISH-AMERICAN INSURANCE COMPANY BA-L, THE OTHER U.S. INSURANCE FIRM

BESIDES AIG WRESTLING WITH THE FMG ON INDIGENIZATION, APPEARS TO BE MAKING PROGRESS IN ITS NEWEST APPROACH TO RESOLVING ITS CASE. IN BRIEFING EMBASSY MARCH 17 ON LATEST FMG-COMPANY TALKS RE 11 PER CENT SHARE TRANSFER, B-A'S GENERAL MANAGER HILARY ONUKUGU SAID B-A NOW CONVINCED THAT FMG WILL NOT BUDGE ON SHARE VALUATION ISSUE. COMPANY HAS THUS DECIDED TO ACCEPT CAPITAL ISSUES COMMISSION (CIC) N2.50 PAR VALUE VALUATION OF B-A STOCK AND WILL ALSO DROP ITS PETITION THAT CIC INCLUDE A 400,000 NAIRA SCRIPT ISSUE AS PART OF THE STOCK BASE.

2. B-A IS CONCENTRATING ITS EFFORTS ON GAINING FMG ACCEPTANCE FOR TECHNICAL SERVICES AGREEMENT (TSA) BUT HAS CHOSEN NOT TO LINK TSA WITH SHARE PRICING OR MAKE IT PART OF GENERAL SETTLEMENT PACKAGE. SINCE FMG HAS RESISTED CONCEPT OF TSA FEES BASED ON PERCENTAGE OF ANNUAL TURNOVER OR GROSS REVENUES, B-A PROPOSED
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IN MEETING LAST WEEK WITH U.K. BELLO (MINFINANCE) AND E. OKWOR (MINTRADE) THAT FEES BE BASED ON COST OF ACTUAL SERVICES PROVIDED. BELLO AND OKWOR ACCEPTED REPEAT ACCEPTED PROPOSAL IN PRINCIPLE AND ASKED B-A TO QUANTIFY ANNUAL FOREIGN EXCHANGE COST OF TSA. TSA WOULD HAVE TERM OF FIVE YEARS. B-A EXPECTS TO MAKE ITS PRESENTATION IN THREE TO FOUR WEEKS.

3. COMMENT. WE ARE IMPRESSED BY BRITISH-AMERICAN'S LOW-KEYED AND FLEXIBLE APPROACH IN NEGOTIATING COMPLICATED COMPENSATION ISSUE, AND BELIEVE THAT AIG MIGHT BENEFIT FROM BRITISH-AMERICAN'S EXPERIENCE. OUR FEELING IS REINFORCED BY POSSIBILITY THAT FMG IS SENDING SIGNALS THROUGH ONUKOGU WHO DEALS WITH U.K. BELLO REGULARLY AND IS A CLOSE FRIEND OF FMG DIRECTOR OF INSURANCE OKWOR. IF OUR ASSUMPTION IS CORRECT, FMG WOULD BE WILLING TO BARGAIN SERIOUSLY IF AIG (1) ACCEPTS CIC SHARE VALUATION, (2) DOES NOT MAKE OVERT CONNECTION BETWEEN TSA AND OTHER COMPENSATION ELEMENTS, (3) BASES TSA FEES ON ACTUAL TECHNICAL SERVICES PROVIDED, (4) STOPS TRYING TO SOLVE PROBLEM POLITICALLY, I.E. HIGH-LEVEL TALKS BETWEEN AIG OR USG AND FMG. WE BELIEVE THAT FRESH APPROACH BY AIG ON THESE LINES IS WORTH EXPLORING. SUCH TALKS COULD RESULT IN FACE-SAVING COMPROMISE FOR FMG. AIG WOULD ACCEPT THE SHARE VALUATION DECISION OF CIC. IN

TURN THE FMG WOULD APPROVE REMUNERATIVE TSA. WE WILL DISCUSS THIS APPROACH WITH AIG REP LEFEVRE AND WILL REPORT REACTION. DEPARTMENT'S DISCUSSION WITH AIG ALONG SAME LINES WOULD APPEAR USEFUL. END COMMENT. EASUM

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